

FOR IMMEDIATE RELEASE

DEVELOPMENT COMMITTEE



JOINT MINISTERIAL COMMITTEE
OF THE
BOARDS OF GOVERNORS OF THE BANK AND THE FUND
ON THE
TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES

1818 H Street, N.W., Washington, D.C. 20433

Telephone: (202) 477-1234

May 14, 1982

PRESS COMMUNIQUE

1. The Development Committee held its eighteenth meeting in Helsinki on May 13-14, 1982, under the chairmanship of H.E. Manuel Ulloa Elias, Prime Minister and Minister of Economy, Finance and Commerce of Peru, who, at the start of the meeting, was unanimously selected as the new Chairman in place of H.E. David Ibarra Munoz, who had earlier resigned from this position. Mr. J. de Larosiere, Managing Director of the International Monetary Fund, Mr. A.W. Clausen, President of the World Bank, and Mr. Hans E. Kastoft, Executive Secretary, participated in the meeting. Representatives from a number of international and regional organizations and Switzerland also attended the meeting.

2. The Committee deliberated at length on a few selected topics in its search for solutions to the many problems which currently plague the economies of both the developed and developing countries. The Committee noted with concern that the medium-term prospects for the world economy and particularly their impact on the developing countries continue to be unfavorable. The situation and prospects for the poorest developing countries are particularly bleak as they face stagnation, in some cases retrogression, in the period ahead. This situation calls for greater adjustment efforts to the new international environment on the part of both groups of countries in order to facilitate the resumption of sustainable growth. The Committee stressed the need for increased external capital flows on appropriate terms to the developing countries, especially to the least developed. There is also need for a reappraisal and strengthening of the role of the multilateral development institutions in order to enable them to maximize their contribution to the solution of the problems of the present crisis.

- 2 -

3. It was in this context that the Committee first addressed itself to a thorough review of the current status of lending operations of the multilateral development institutions and the difficulties which they face in replenishment of their concessional and ordinary resources.

4. The Committee noted the crucial importance of concessional resources, and particularly of IDA, in the development strategy and programs of the low-income developing countries. The Committee urged that the proportion of aid flows to the poorest developing countries be increased. The Committee was concerned that the likely reduction, in the absence of further action, in IDA commitment authority during the Sixth Replenishment period would have a serious impact on the economies of IDA recipients. It would disrupt the momentum behind development efforts and programs so assiduously built up through sustained efforts over several years.

5. The Committee felt that it was important and necessary to resolve the crisis now faced by IDA and to take steps to address the problems in FY82 and FY83 and beyond. In this connection, the Committee welcomed the action taken by some donors to release the full amount of the second tranche of their contribution to IDA 6. It noted the importance attached by a number of donors to finding ways of reducing current and prospective shortfalls of IDA's commitment authority in the years FY82-84. Several ways including waiving or relaxing the pro rata provisions of the IDA resolution as well as the creation of a Special Fund, which would provide additional resources have been proposed. Progress made in considering these alternatives in informal meetings held by donor representatives over the last week was welcomed in order to develop specific action programs which could be quickly translated into operational mechanisms so that original planned commitment levels could be maintained to the maximum extent possible. The Committee also agreed that discussions should proceed apace so that the Seventh Replenishment of IDA could begin if possible as scheduled in FY84. The Committee urged that additional concessional co-financing be made available for IDA projects.

6. The Committee, bearing in mind budgetary constraint considerations, urged governments to accelerate their subscriptions to the General Capital Increase and to release the local currency portion of these subscriptions as rapidly as possible. The Committee also took note of the on-going discussions concerning the Bank's borrowing practices and its lending rate policy and urged the Executive Directors of the Bank to reach prompt decisions on these matters in order to enhance the Bank's funding flexibility both as a means of keeping the cost of Bank borrowing as low as possible and of assuring that planned growth in lending can be financed on reasonable terms. It requested the Executive Directors to continue their study of the scope for an expansion, in real terms, of World Bank lending.

- 3 -

7. The Committee reaffirmed the importance of energy investment in the developing countries, particularly the poorest among them and noted with satisfaction that the Bank's lending program for energy has expanded rapidly and now accounts for 25 percent of total Bank lending as against only 15 percent in 1977. However, it has reached a point where any further increase would cut into other priority sectors which the Committee felt were not desirable. In the circumstances, the Committee asked the Executive Directors of the World Bank to explore ways that would permit the Bank to prepare and secure financing for an increased program of energy investments including an Energy Affiliate or a Special Fund or agreed co-financing arrangements. A progress report should be submitted to the Committee at its September 1982 meeting.

8. The Committee, on the basis of the material provided by the regional banks, took note of their resource needs and urged member governments to speedily seek means of financing the future capital requirements of the regional banks' ordinary and concessional funds at an appropriate level besides completing commitments previously entered into. The Committee also expressed its full support of the regional banks in their efforts to serve as catalysts and seek expansion in their co-financing programs.

9. The Committee expressed its appreciation to the Task Force on Non-concessional Flows on its useful report and it noted its general conclusions and recommendations. It asked the Executive Directors of the Bank and the regional banks to consider the recommendations of the Task Force taking into account their legal and procedural implications and report their deliberations to the Committee in due course. The Committee also considered it desirable that appropriate arrangements be made to periodically review further developments in the field of non-concessional flows. The Committee decided to make the report of the Task Force on Non-concessional Flows public.

10. In the area of co-financing, the Committee noted with satisfaction the sizable expansion achieved by the World Bank. It endorsed the efforts of IBRD and IDA, where appropriate, to secure an increase in co-financing from all sources on terms suitable for and acceptable to the borrowers and asked the Executive Directors of the Bank to consider the various proposals on co-financing which they will be discussing and to report on them if possible to the September 1982 meeting of the Committee.

11. As a follow-up of its earlier discussion at Gabon in May 1981 and in Washington in September 1981 on the Sub-Saharan African Action Program, the Committee reviewed the Bank's further discussions with the EEC, OPEC aid agencies, bilateral donors, the African Development Bank and the African Governors' Group. The main focus of these discussions was on the policy and financial issues facing the Sub-Saharan countries. The Committee urged the World Bank to move expeditiously to assist the Sub-Saharan countries to formulate specific programs of action and, taking account of the Dakar Memorandum of March 3, 1982 presented at its meeting, to continue its dialogue with donor countries in order to enhance the flow of aid in real terms necessary to support such programs of action.

- 4 -

12. The Committee recalled its consideration on previous occasions of the G-24's Program of Immediate Action and the Brandt Commission recommendations. Both the Fund and the Bank had considered, and in some cases implemented, some of the recommendations applicable to them. The Committee asked the two institutions to present to the September 1982 meeting of the Committee reviews of the status of implementation on the recommendations which are of particular relevance to the Committee's work.

13. In Gabon the Committee decided in principle to establish a Task Force to carry forward and widen the continuing study of the problems affecting the volume and quality and the effective use of concessional flows in the shorter and longer terms. In pursuance of the Committee's earlier decision and directive, the Executive Secretary of the Committee, on the request of its Chairman, had undertaken extensive discussions for the establishment of a Task Force on Concessional Flows. The Committee welcomed the successful outcome of the consultations on the terms of reference of the Task Force, its composition and its chairmanship. The Committee's approval of it will now enable the 18-member Task Force representing industrial donor countries, OPEC and developing countries to undertake in the period ahead its task under the chairmanship of John P. Lewis, Professor at Princeton University.

14. The members placed on record their special appreciation for Mr. David Ibarra Munoz' distinguished service to the Committee.

15. The Committee expressed its great appreciation to the Government of Finland for its warm hospitality and for the excellent arrangements provided for the meeting.

16. The Committee agreed to hold its next meeting in Toronto, Canada, on September 5, at the time of the Annual Meetings of the Fund and the Bank.